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Japan

Solid Wood Products

Japan's Public Forestry Corporations in Trouble 2004

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Report Highlights:

Many of Japan's public forestry corporations cannot pay their loans because of decreased timber prices. Their skyrocketing debts, which total about 1.68 trillion yen (over \$US 15.7 billion), are causing prefectural governments to question the role of these corporations.

Includes PSD Changes: No
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In the early 1960's 42 public corporations were created to assist private landowners with harvesting and replanting of Japan's forests. These corporations took out loans from their prefectural governments with a repayment plan based on timber prices and profit sharing. These were created at a time of economic growth and increasing timber prices, but after the peak in the 1980's, timber prices have decreased about 75%.

Now, many of these public forestry corporations are unable to pay back the loans and are accruing large debts. The largest debt, which is 68 billion yen (\$US 640 million), belongs to the forestry corporation in Okayama. The next largest debt, which is 62.5 billion yen (\$US 585 million), belongs to the corporation in Shiga Prefecture called Biwako Zorin Kosha and 55 billion yen (\$US 515 million) is owed by Ishikawa Prefecture's corporation. Even though many of the corporations stopped operations around 2000, their total debt has continued to grow because of interest and forest maintenance costs. Iwate and Oita prefectures have decided to abolish their forestry corporations by the end of FY 2007 and Nagano Prefecture is considering abolishing its as well.

The failure of these corporations is not only leaving the prefectures with a lot of unpaid loans, but it is also causing many to wonder who will perform the important functions that these forestry corporations previously took care of, such as timber management and replanting. Many of the prefectures are re-examining their involvement in the forestry business and trying to find a way to address the debt at the same time they deal with the need for responsible management of the forest resources.

Instead of dissolving their public forestry corporation, which has the largest debt of all, the Okayama Prefecture plans to keep the organization intact but make it a public service entity. The Oita prefecture plans to stop normal harvesting activities and only sell thinned product while refinancing their debt to get a lower interest rate. Last April the Kochi prefecture introduced a flat tax of 500 yen for the protection of forests and the Okayama prefecture introduced the same thing this April. These kinds of actions are necessary as the prefectures are increasingly shouldering the burden of managing their forest resources.

Source: Yomiuri Shinbun, October 20, 2004, Page 3